

FRAUD ALERT

Educating South Carolina's Consumers

A Publication of the South Carolina Task Force on Fraud



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If you would like to receive a free subscription to the *Fraud Alert*, e-mail Storm@dca.state.sc.us

Welcome to the inaugural issue of the Fraud Alert, a bi-monthly publication of the South Carolina Task Force on Fraud dedicated to educating consumers on issues of fraud.

*- Brandolyn Thomas Pinkston
SC Department of Consumer Affairs*

NOTICE: Recent Internet Fraud

- **Employment Scam E-Mails:** Bogus foreign-based employment companies are targeting consumers' who are looking for employment on-line. The fraudsters require consumers to provide their driver's license number and other financial information. Reports have also indicated consumers, or the 'employees,' are asked to send money to the fraudulent companies via wire transfers.
- **Nigerian Warning** – Consumers' who sell items online are contacted by international buyers. The buyer explains another party in the United States will send the seller a check for the item. The international buyer explains the check will be more than the amount required, and the seller should redirect the excess amount back to the buyer through a wire transfer. In most cases the money is sent to West Africa (Nigeria).
- **Romanian Warning** – Large numbers of consumers are reporting Internet auction fraud that involves Eastern European parties.
- **"Spoofed" E-mails** – Consumers receive e-mails that appear to have originated from somewhere or someone other than the actual source. This tactic is used to entice consumers to open the e-mail, and/or respond to the e-mail. The e-mail may also be infected with a computer virus or spy-ware tracking device.
- **Internet Auction Fraud** – Consumers' are defrauded when they purchase items through online auctions, but never receive the items.
- **Give-a-Way Fraud** – E-mail's notifying recipients they have won an item, such as a Microsoft X-Box machine, direct the recipient to give their credit card information to pay for shipping and handling. The consumer's financial information is then charged an amount larger than the agreed-upon number, and never sent the item aforementioned.
- **FBI E-mail Hoax** – E-mail requests recipient participate in catching a con artist by participating in the scam so that the FBI can gather enough proof to prosecute.

**FOR MORE INFORMATION, OR TO FILE A COMPLAINT, GO TO THE
INTERNET FRAUD COMPLAINT CENTER'S WEBSITE AT
WWW.IFCCFBI.GOV/INDEX.ASP**

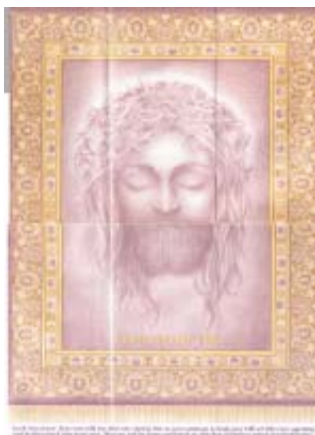
Medicaid Recipient Fraud Division Formed

-Assistant Attorney General DeWayne Pearson

In December, 2004, the South Carolina Attorney General's Office, in conjunction with the Department of Health and Human Services, formed a Medicaid Recipient Fraud Division to handle the growing problem of Medicaid fraud. Medicaid was created by Title XIX of the Social Security Act and is a federal and state entitlement program that provides medical assistance for certain individuals and families with low incomes and resources. The Medicaid program became a law in 1965 as a cooperative venture jointly funded by Federal and State governments, including the District of Columbia and the Territories, to assist states in furnishing medical assistance to eligible needy persons. Medicaid is the largest source of funding for medical and health-related services for America's poorest people.

Though Medicaid is an entitlement program, it does not provide medical assistance for all persons. A recipient's resources are tested against threshold levels, as determined by the state within federal guidelines, to determine eligibility. The Medicaid Recipient Fraud Division is primarily tasked with the responsibility of investigating Medicaid recipients and prosecuting those who are using the system fraudulently. The division is also responsible for handling a variety of Medicaid cases in counties throughout the state. The unit focuses upon Medicaid eligibility fraud diversion, including cases arising from the Low-Income Family Program, the Aged, Blind, and Disabled Program and the Partners for Healthy Children Program. The unit also has the charge of investigating and prosecuting drug abuse cases, primarily arising from the unlawful distribution and consumption of prescription drugs paid for through the Medicaid program.

Assistant Attorney General T. DeWayne Pearson is the head of the Medicaid Recipient Fraud Division. Investigators C. Dan Meyer, Michael Williams and Miles Rawl perform the unit's investigations. The Medicaid Recipient Fraud Division can be contacted through the Medicaid Fraud hotline at 1.888.364.3224, or through the office of the Attorney General at 803.734.2779.



(Pictured above: A copy of the prayer rug sent to South Carolina consumers.)

Paper Prayer Rug Scams the Devout

"Fill out a questionnaire regarding your spiritual needs, kneel over the prayer rug, pray, and place the rug in a Bible overnight. In the morning mail the questionnaire and the prayer rug back to the church with a donation."

These are the instructions that accompany a paper prayer rug that has been mailed to consumers throughout South Carolina. Seemingly from St. Matthew's Church in Tulsa, Oklahoma, the mailing is actually a fraud – the organization that sends the letters is not a legitimate church. Using similar letters and prayer rugs, this organization has solicited donations from consumers throughout the country for several years.

Preying primarily on vulnerable and uneducated consumers, the mailings entice the public to send in money in return for the blessings promised in the mailing. While deceitful, the prayer rug scam is able to continue, as it technically does not require a monetary donation from the public, and as such, it only offers false hope to the public.

Mortgage Elimination Fraud is a *Home Wrecker*:

Consumers beware; the Better Business Bureau has issued an **ALERT** warning of fraudulent debt elimination companies. Several upstate South Carolinians have been targeted by these scams, joining other victims throughout the country.

The companies target individuals searching for a quick source of debt relief by promising they can eliminate their homeowners' mortgages. Using independent agents to promote the program, the companies ask consumers to participate in a complicated scheme with multiple steps. First homeowners are asked to pay a \$3,000 fee and place the title of their home in a family trust. Then they are required to present the lender (or scam artist) with a document that contains 40-50 so-called violations of federal laws committed by the lender. When the lender does not respond with proof of the validity of the loan, a power of attorney is filed by the parent company. This claims to give its trustees authority to act on behalf of the lender. Using the power of attorney, the trustees file a "Discharge of Mortgage," or "Quit Claim Deed" which certifies the loan is paid. At this point the homeowners, with the assistance of the lender, apply to refinance the home. Once the money is obtained, it is divided by the homeowner, agent and fraudulent parent company. The lenders then promise to repeat the above process in order to eliminate the second mortgage.

Victims of this fraud have reported both mortgages were not paid off as promised, leaving a larger debt than the original. These victims face default on their original mortgage, foreclosure, potential liability for failing to pay the additional loans procured by the trust, future difficulty selling the house due to title complications and the possibility of being charged as an accessory to criminal activity.

To file a complaint regarding these scams call the SCDCA at 1.800.922.1594 (toll-free in South Carolina).

What To Do When Bad Things Happen to YOU:

If you are a victim of IDENTITY FRAUD, follow the steps below:

- Remember to follow up all phone calls in writing. Send your letters by certified mail, return receipt requested, so that you can document what you send the company and when, keeping copies of all correspondence for your files.
- Call the toll-free number of any one of the three national consumer reporting agencies (Equifax, Experian, and TransUnion) and request a fraud alert be placed on your credit report. When a fraud alert has been confirmed by one of the agencies, the other two will be automatically notified. At this time all three consumer reporting agencies will send you your credit report to review, free-of-charge.
- After reviewing the reports, notify the credit bureaus of any inaccuracies by telephone and in writing. Continue to review your credit reports periodically, especially in the first year after the theft occurs. Only the initial credit reports you receive after reporting your fraud alert are free; you are required to pay for all subsequent credit report requests.
- Close any accounts that have been tampered with or opened fraudulently, including bank accounts. Try to obtain reports from each of the accounts for your own records. If you are not able to obtain a report, request the report number from the police.

For Credit Account Fraud:

- If your ATM card has been lost or stolen, immediately cancel the card as soon as possible. Be sure to ask for a new PIN.
- If a new, unauthorized account was opened, ask if the company accepts the ID Theft Affidavit available at www.ftc.gov/bcp/conline/pubs/credit/affadvit.pdf. If they do not, ask the company's representative to send you the relevant dispute forms.
- For all existing accounts, ask the company's representative to send you the appropriate dispute forms.

For Check Fraud:

- If your checks have been stolen or misused, close the account and ask your bank to notify the appropriate check verification service. Contact the three major check verification companies (TeleCheck, 1.800.710.9898; Certegy, Inc., 1.800.437.5120; International Check Services, 1.800.631.9656) and request that retailers who use their databases not accept your checks.
- Call the Shared Check Authorization Network (1.800.262.7771) to identify if the identity thief has been passing bad checks in your name.

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